

Report says Texas electricity rate soar

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AUSTIN, Texas — In the decade since Texas deregulated its retail electricity market, rates have skyrocketed higher than any other state with such open competition, according to a report released Monday.

Commissioned by the Cities Aggregation Power Project, a nonprofit coalition of Texas municipalities, the report found that residential electricity rates rose 64 percent between 1999 and 2007. Before that, Texans paid rates that were well below the national average, according to the U.S. Energy Information Administration.

"Consumers have paid too much for too long under deregulation," said Jay Doegey, chairman of the municipalities group that seeks to curb market abuses. "Instead of excuses or ignoring the problem, Texans deserve meaningful reform."

The Association of Electric Companies of Texas said rates have been falling sharply recently and the group said allowing residential users to select their providers has worked as intended.

"The simple fact is that in most parts of the state there are lower competitive prices today than when prices were regulated," said John Fainter, president of the trade association. Other advocates of deregulation say the law has sparked investments in cleaner energy and greater generation capacity.

The Legislature passed a sweeping deregulation law in 1999 that sought to break down electric company monopolies and remove strict government control over retail electricity rates. The idea was to allow competitive market forces to drive down prices. The sponsor of the legislation, former Sen. David Sibley, acknowledges rates have gone up but said he still considers the bill a success.

Sibley, who now lobbies for power companies and others, blames the hikes on increased natural gas prices. He said Texas is far too dependent on natural gas and would see lower rates if it diversified to coal, nuclear and other energy sources.

"The fuel mix is a problem," Sibley said. "We're building nothing but natural gas plants."

Sibley said the amount of transmission capability, demands from population growth and pressure to reduce emissions can also affect rates.

But the report found that even among neighboring states heavily dependent on natural gas, Texas has higher rates.

Oklahoma and Louisiana, for example, are big users of natural gas but did not deregulate their markets as Texas did, the data shows. Texans currently pay about 10.3 cents per kilowatt hour on average, compared to 8.3 cents in Louisiana and 7.3 cents in Oklahoma, a snapshot of federal data shows.

Ratepayers in Rhode Island and Massachusetts, which have also introduced retail electric competition, saw electricity prices rise by 39 percent and 62 percent between 1999 and 2007, respectively, according to the study.

Former Gov. George W. Bush signed the deregulation law, declaring that competition would "benefit Texans by reducing monthly rates."

The legislation for the first time authorized competition among retail electric providers, allowed power companies to charge ratepayers billions of dollars for pre-existing investments and provided incentives for the use of renewable energy.

The report does give the law credit for encouraging the use of renewables, enhancing efficiency standards and helping to reduce emissions.

The Cities Aggregation Power Project, which pools the energy needs of its member cities in order to negotiate better prices, does not recommend going back to the pre-deregulation system. But the group says it wants the Legislature to curb market abuses by limiting how much power any one utility can generate.

The coalition also advocates reforms that would allow citizens living in its municipalities to join together and negotiate better rates the way governments do now.